

**CHINA'S BELT & ROAD INITIATIVE:  
PROSPECT OF CONNECTIVITY BUILDING IN NEPAL**

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**September, 2020**

## DECLARATION

I hereby declare that this dissertation entitled, "CHINA'S BELT & ROAD INITIATIVE: PROSPECT OF CONNECTIVITY BUILDING IN NEPAL" submitted to Department of International Relations and Diplomacy (DIRD), Faculty of Humanities and Social Sciences at Tribhuvan University, for the award of Masters of International Relations and Diplomacy is my own independent work and that it contains no materials previously published. I have not used its materials for the award of any kind and any other degree. Where other authors' sources of information have been used, they have been duly acknowledged.

.....

Prasanta Kumar B.K.

Date: September, 2020

## LETTER OF RECOMMENDATION

I certify that this dissertation entitled " CHINA'S BELT & ROAD INITIATIVE: PROSPECT OF CONNECTIVITY BUILDING IN NEPAL" has been prepared by Mr. Prasanta Kumar B.K. under my supervision. I hereby recommend this dissertation for final examination to the Research Committee of Department of International Relations and Diplomacy, Tribhuvan University, in fulfillment of the requirements for the Degree of MASTER'S IN INTERNATIONAL RELATIONS AND DIPLOMACY.

.....

Prof. Dr. Khadga K.C.

Date: September, 2020

## LETTER OF APPROVAL

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## ABSTRACT

*In today's globalized world, connectivity is essential to the country like Nepal, relatively poor, small and landlocked compared to two giant countries located between China and India. China as a second largest economy in the world has introduced Belt and Road Initiative (BRI) that supposed to connect countries along the road through six economic corridors. There are five major areas in BRI that consists of promotion of policy coordination, connectivity, unimpeded trade, financial integration and people to people relations. While Nepal is a member of BRI, expects to get connected and improve or build infrastructures and steer to from least developed country to developing country.*

*The title of the research is China's Belt & Road Initiative: Prospect of Connectivity Building in Nepal. The research try to seek connectivity aspects critically in terms of various dimensions ranging from railway, road way, cross-border transmission line to high speed internet connection. Besides that, it also includes trade, tourism, and technology transfer, socio-cultural, economic and institutional prospects.*

*The research has been solely based on contextual secondary sources. Recently published authentic books and Journals have been used to support the topic. It also aims to answer the research questions by finding some of the research gap on the topic. The research attempts to review Chinese foreign policy and its connection with BRI. The major finding of the research is that connectivity is the only possible way to grasp the opportunities for Nepal's overall development but she should be aware of the risks it may bring along with it.*

**Key words:** *Nepal, Belt and Road Initiative (BRI), Connectivity, Chinese Foreign Policy, Realism.*

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## LIST OF ABBREVIATIONS

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
BCIM	Bangladesh-China-India-Myanmar Economic Corridor
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China and South Africa
CIPEC	China-Indochina Peninsula Economic Corridor
CNI	China-Nepal-India Economic Corridor
CPEC	China-Pakistan Economic Corridor
FDI	Foreign Direct Investment
GDP	Gross Domestic Production
IR	International Relations
LAC	Line of Actual Control
MoFA	Ministry of Foreign Affairs
MoU	Memorandum of Understanding
NHDR	Nepal Human Development Report
NPC	National Planning Commission
OBOR	One Belt One Road
PRC	People's Republic of China
SRF	Silk Road Fund
UNEP	United Nations Environment Programme
WB	World Bank

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## CHAPTER – 1

### INTRODUCTION

#### 1.1 Background

The world is truly 'knit together' as never before (Tharoor, 2012, p.3). China is not just a part of this world but it is said to be 'the winner of globalization' today.

China, officially known as the People's Republic of China (PRC) is a sovereign state that is situated in East Asia. It is one of the world's most populous countries, almost 1.4 billion People expecting their lives to be improved. And, It also shares land borders with "fourteen other states" (Lanteigne, 2009, p.8), including Nepal.

China's 'Belt and Road Initiative' (BRI) aims to promote the connectivity and the economic cooperation between China and the countries involved. It is also a grand geo-economic vision as well as a long-term geopolitical strategy. "This framework has been put forward by Chinese President Xi Jinping during state visits to Central Asian and Southeast Asian countries in September and October 2013 (CIP, 2016, p.9). Some argue that BRI is the revival of the Silk Road. Anyway, the initiative has been surfaced in a new way in a new context for the greater cause, at least from the Chinese perspective. How does China interpret the Belt and Road Initiative? President Xi Jinping pointed out,

The connectivity we talk about today is not merely about building roads and bridges or making the linear connections of different places on the surface. More importantly, it should be a three-way combination of infrastructure, institutions, and people-to-people exchanges. It is a wide-ranging and multi-dimensional connectivity network (Lei, 2018, p.178).

So, connectivity is an important precondition to promote economic development and international exchanges of any country. "Regarding the construction of the One Belt and One Road initiative, both trade and investment are based on the principle of mutual benefit. China is willing to develop mutually beneficial and win-win cooperation with big and small and rich and poor countries regardless of their population size and cultures" (Hu, 2018, p.86). But, in the case of Himalayas, Ben Campell (2010) argues that a high profile road project in Nepal has primarily reminded a 'rhetorical route for development', which local fear will not benefit them" (Saxer & Zhang ,2017, p.75).

Nepal, the youngest republic in the world, has been moving towards a more inclusive society. The journey from strict hierarchy to a multi-cultural society, from Hindu to the secular state, from Monarchy to Federal Democratic Nepal is, of course, the journey of transformation in terms of nation-state building. The power is being decentered and people are the sovereign to exercise their power for the sake of their betterment. However, "The country is making efforts to move out of an extended political transition and has resolved to accelerate its graduation from a least developed to a developing country by 2022" (Government of Nepal, 2014).

Despite geopolitical complexities, Nepal, as an immediate neighbor, has formally signed BRI on May 12, 2017. "It has been claimed that the Belt and Road Initiative has "opened a window of many opportunities" (Xinhua News Agency, 2017). Nepal badly needs to construct or improve its infrastructure, roadways, railways, governance, and sustainable development and utilize its untapped natural resources. As a poorly managed country, Nepal has already trapped in the vortex of politics; and left the agenda of development in the lurch for a long time. Therefore, there exist challenges ahead in terms of implementing the initiative. Along with

challenges, there is also an opportunity to transform itself from a country of landlocked to land-linked with the help of this initiative. In this reference, the research aims to underscore the underpinning ideas of BRI as connectivity and its prospects in the socio-economic, cultural paradigm of Nepal.

## **1.2 Statement of the Problem**

Being a part of Belt and Road Initiative (BRI), Nepal is supposed to get opportunities to exploit its untapped resources, improve or develop infrastructures; governance; and services. It can be beneficial to the already struggling economy of the country. If Nepal utilizes the provided assistance properly under the BRI framework, it is sure to change the discourse of development in the days ahead. But, how it is going to manage the opportunities provided by the initiative is the pertinent question today. Given the volatile political situation of the country, it is a challenge to maintain peace and security for the visitors. China's economic growth, together with the impact that this growth has on its neighbors, will necessarily influence the internal political dynamics of these countries. In this situation, there could be a strained relationship with China. So, there remains a range of challenges for maintaining good and friendly relations between the two countries. Amid problems and possibilities, Nepal has to come out of its geographical prison through more connectivity and ensure the overall sustainable development process as a whole. Connectivity is essential to a country like Nepal since she has been facing problems created by landlocked.

To date, few research papers or articles have been written by focusing on the geopolitics of Nepal concerning BRI. Some of the studies also have been made in BRI and the environment. The focus of my study is on connectivity. Why connectivity is so important to Nepal is a relevant question today?

### **1.3 Research Questions**

- A. What is the BRI concept and Chinese Foreign Policy?
- B. How is the prospect of Connectivity Building in Nepal through BRI?
- C. What might be the Problems and Challenges of Connectivity Building through BRI?

### **1.4 Objectives**

The specific objectives of the study are:

- A. To introduce BRI concept and Chinese Foreign Policy.
- B. To assess the prospect of Connectivity Building in Nepal through BRI.
- C. To analyze the Problems and Challenges in Connectivity Building in Nepal through BRI.

### **1.5 Significance of the Study**

BRI has global importance because it encompasses more than 60 countries; and nearly 70 percent of the population. Through this initiative, China is supporting infrastructure projects in strategically located developing countries, often by extending huge loans to their governments. Nepal as a landlocked and developing country also needs support for its infrastructure development. It has to enhance tourism, trade, and people to people relations between two immediate neighboring countries. China is not only the second-largest trading partner of Nepal but also the second-largest source of tourists to Nepal. Nepal can get more tourists from China thereby generate income and employment. The tourism industry can contribute to the GDP of the country. With the implementation of the initiative, it has been expecting to get more opportunities for the sustainable development of its economy. Through the movement of people and cooperation, it can enhance 'the track II diplomacy'. Sharing language, cultures, ideas, and information can enhance mutual trust among

people. For that, meaningful connectivity is required. That's why; the core concern of the study will be to analyze the existing policy framework of BRI, Chinese foreign policy and figure out the prospects of implication in the context of Nepal. And, the study will also examine various dimensions of BRI, especially of connectivity concerning Nepal, and attempt to connect dots of socio-economic; and environmental prospects as a whole.

### **1.6 Delimitation**

BRI is China's global outreach, with the historical background as a Silk Road. So, it requires a great amount of effort, time, and budget to carry out a research project in detail. Hence, this research will only focus on Chinese Foreign Policy, Concept of BRI, Strategies, Engagement with Nepal, Pipeline Projects related to Connectivity and Possible Challenges it may bring.

### **1.7 Operational Definitions**

The researcher uses several technological terminologies that need to be defined systematically so that it would be easier to grasp the concept and avoid misinterpretations of it. In this segment, frequently used terminologies have been defined as per their context in the dissertation.

### **Belt and Road Initiative**

To put it simply, the Belt and Road Initiative is the short form for the Silk Road Economic Belt and the 21st Century Maritime Silk Road, which was proposed by Chinese President Xi Jinping when he delivered speeches on two occasions. The first one was made at Nazarbayev University during his visit to Kazakhstan on September 7, 2013, when President Xi proposed building a new Silk Road Economic Belt by promoting policy coordination, road connectivity, unimpeded trade, currency convertibility, and strengthened people-to-people ties. Almost a month later on

October 3, President Xi made a further proposal in his speech at the parliament in Indonesia that China was ready to work with the ASEAN members in building the 21st Century Maritime Silk Road as a way to strengthen connectivity and promote maritime cooperation partnership (Shang, 2019, p.1).

The initiative aims to create economic corridors and economic, political, and cultural cooperation with win-win outcomes for all countries, with free trade agreements, and opportunities for the excess production of each country to be sold, and free circulation of local currencies (Cheng, Y. Song L. & Huang L., 2018, p. 3).

The major benefit for countries along the Belt or the Road is the establishment of new and modern infrastructure in the form of ports, roads, railways, and pipelines. This will not only enhance trade and commerce along the route but also greatly improve the economy of the partnering countries (Cheng, Y. Song L. & Huang L., 2018, p. 7).

### **Connectivity**

The Belt and Road Initiative will promote construction of infrastructure and transnational and inter-regional connectivity (Fang & Nolan, 2019 p. 18). By relying on policy coordination, connectivity of infrastructure, unimpeded trade, financial integration and understanding between people, it breaks down trade and investment barriers across countries and explores the economic growth potential of the countries along the routes, especially the developing countries, so as to inject new vitality into the global economic recovery (p. 24). Connectivity was originally a term in the field of network communications. The Master Plan on ASEAN Connectivity released in 2010 proposed to strengthen connectivity and defined "connectivity" as "physical, institutional and people-to-people linkages" (p. 92). The Belt and Road Initiative upholds the concepts of peace and cooperation, openness and inclusiveness, mutual



learning and mutual benefit. It is based on the "five types of connectivity", namely, policy coordination, infrastructure connectivity, unimpeded trade, financial integration and understanding between people (p. 99).

One of the core features of the BRI is that it promotes regional connectivity and cooperation between the various nation-states involved. Connectivity here is a multifaceted concept: it is a connectivity of physical infrastructure facilities into a transcontinental intermodal transportation network, connectivity of production capacities into supply chains, connectivity of producers and consumers across borders and cultures, connectivity of markets, connectivity of peoples and cultures into networks of interaction and cultural exchange, connectivity between various ideas, and connectivity of the ideas with the means to realize them. Thus, while the main participating units in the BRI are nation-states and the operative framework is based on state centered and sovereignty-first principles, the main output of the interaction is regional connectivity-based synergy and integration (Shan, Nuotio & Zhang, 2018, p.74)

### **Hegemony**

The Marxist theory of ideology was perhaps developed furthest by Antonio Gramsci argued that the capitalist class system is upheld not simply by unequal economic and political power, but by what he termed the 'hegemony' of bourgeois ideas and theories. Hegemony means leadership or domination and, in the sense of ideological hegemony, it refers to the capacity of bourgeois ideas to displace rival views and become, in effect, the common sense of the age (Heywood, 2017, p.33)

Critical theory has its roots in a strand of thought which is often traced back to the Enlightenment and connected to the writings of Kant, Hegel and Marx (Burchill, Linklater, Devetak, Donnelly, Paterson, Reu-Smit, & True, p.137-138).

Hegemony is one state's holding a preponderance of power in the international system, allowing it to single-handedly dominate the rules and arrangements by which international political and economic relations are conducted. Such a state is called a hegemon. (Usually, hegemony means domination of the world, but sometimes it refers to regional domination.) The Italian Marxist theorist Antonio Gramsci used the term hegemony to refer to the complex of ideas that rulers use to gain consent for their legitimacy and keep subjects in line, reducing the need to use force to accomplish the same goal. By extension, such a meaning in IR refers to the hegemony of ideas such as democracy and capitalism, and to the global predominance of U.S. culture (Goldstein & Pevehouse, 2014, p.57-58).

In international relations the extension by a STATE of preponderant influence or control over another state or states. It is a term found in Thucydides' fifth-century BC History of the Peloponnesian War. Study of hegemonies helps to explain the relations between dominant states and their clients or satellites, the creation of SPHERES OF INFLUENCE, and stability, or upheaval, in the WORLD ORDER. Interest in hegemony has been particularly stimulated by the respective roles of the USA and the USSR in the COLD WAR, and by the HEGEMONIAL STABILITY THEORY, which posits that hegemony is necessary to a liberal economic world order (Weigall, 2020, p.110).

### **Realism**

In International Relations, political realism is a tradition of analysis that stresses the imperatives states face to pursue a power politics of the national interest (Burchill, Linklater, Devetak, Donnelly, Paterson, Reu-Smit, & True, 2005, p.29).

Realism and its different manifestations – classical, structural, offensive, and neoclassical – all have relevance to understanding regional order. Given the anarchic

nature of the international system, and by extension regional subsystems, the fundamental source of regional order in Realism is balance of power. 12 For realists, if a proper balance or equilibrium in power distribution is achieved and maintained among the major powers and the leading states of a region, no aggressive state is likely to emerge. (Paul, 2012, p.7)

Realism (or political realism ) is a school of thought that explains international relations in terms of power. The exercise of power by states toward each other is sometimes called *realpolitik*, or just power politics (Goldstein & Pevehouse, 2014, p.43).

Realism is a paradigm based on the premise that world politics is essentially and unchangeably a struggle among self-interested states for power and position under anarchy, with each competing state pursuing its own national interests (Kegley & Blanton, 2011, p.31).

### **Foreign Policy**

Foreign policy is the decisions governing authorities make to realize international goals (Kegley & Blanton, 2011, p.14). Furthermore, Encyclopedia Britannica (2020) has defined foreign policy in an extensive way as below;

Foreign policy, general objectives that guide the activities and relationships of one state in its interactions with other states. The development of foreign policy is influenced by domestic considerations, the policies or behavior of other states, or plans to advance specific geopolitical designs. Leopold von Ranke emphasized the primacy of geography and external threats in shaping foreign policy, but later writers emphasized domestic factors. Diplomacy is the

tool of foreign policy, and war, alliances, and international trade may all be manifestations of it.

It is important to note that China's foreign policy is ultimately shaped by the domestic agenda of its communist leadership, even as the country is marked by greater economic interdependence with the outside world and by deeper engagement with international society. It is only within the framework of maintaining the monopoly of power of the Communist Party that China's leaders have sought to continue to pursue high economic growth and the maintenance of social stability (Yahuda, 2007, p.339).

The article by Zhang Qingmin of Peking University School of International Relations titled "Harmonising the Management of Foreign and Domestic Affairs in Chinese Foreign Policy" touches on a very interesting Chinese foreign policy. The author believes that the involvement of domestic social factors in foreign relations provides the Chinese Government with effective diplomatic resources. However, at the same time, these factors also complicate China's foreign policy and therefore act like a "double-edged sword" with certain "agenda-setting" functions (Binhong, 2015, p.5).

### **1.8 Organization of the Study**

Connectivity is the core aspect of BRI. Therefore, the research attempts to explore prospects of connectivity in reference to Nepal.

The dissertation has been divided into seven chapters. Chapter one starts with background. Basically, it is about underpinning ideas of BRI and connectivity. The chapter includes statement of the problems, research questions, objectives of the research, significance of the study, delimitation and some of the operational definitions such as of BRI, Connectivity, Realism and Foreign Policy. Chapter two

deals with the review of literatures related to the subject matter. Chapter three is more technical one that deals with the conceptual framework, research methodology, tools and techniques while analyzing and explaining the resources used in the dissertation. Chapter four, five; and six move around the major research questions of the dissertation. Chapter four goes through the contemporary Chinese foreign policy, roots and routes of BRI and examines the idea of win-win and competition or cooperation aspects of BRI. Similarly, Chapter five sheds light on the Chinese foreign policy and BRI via some of the major theoretical perspectives such as critical theory (focus on hegemony), world system and realist theory of IR. Chapter six focuses on connectivity of BRI with Nepal. It deals with the range of connectivity projects like roadway, railway, cross-border transmission line, optical fiber, trade, tourism, technology transfer, economic and institutional prospects. And, chapter seven summarizes and concludes the whole study.

## CHAPTER 2

### REVIEW OF LITERATURES

China is now the largest economy as measured through the purchasing power parity (PPP) and it is the second-largest economy when measured through the market exchange rate, and it is on the way to be the biggest economy on this measure in a few years as well (Joshua, 2019, p.174). As a rising country, China introduced an ambitious project that is Belt and Road Initiative (BRI). In the main auditorium of Nazarbayev University, Kazakhstan, Chinese President Xi Jinping said, "Today, as I stand here and look back at history, I seem to hear the camel bells echoing in the mountains and see the wisps of smoke rising from the desert and this gives me a specially good feeling (Xi Jinping, 2019, p. 315). This statement of Xi vividly reflects the image of civilization affinity. At the same time, it pinpoints towards a revival of Silk Road as a signature foreign policy in a new scenario. In fact, Silk Road has a remarkable history and story to tell the world.

German geographer and geologist Baron Ferdinand von Richthofen (1833-1905) coined the expression "Silk Road" to describe ancient trade routes between China and the West, although this was something of a misnomer because other commodities besides silk were traded. The Silk Road was also the pathway for ideas and creeds such as Buddhism, which spread along its path from India to China (Bryson, 2000).

Although borrowing its name from the ancient Silk Road, BRI reflects China's new thinking and vision on regional development and international cooperation in this new era (Lei, 2018, p.5). BRI can be defined as per below;

The Belt refers to a series of overland roads, pipelines, railways, and other infrastructure through Central Asia, South Asia, and the Middle East to Europe. The Road refers to a series of ports and maritime trade routes through the South China Sea and the Indian Ocean to the Middle East, the east coast of Africa, and onward to Europe (Shatz, 2016, p.93).

The main goals of BRI are about policy coordination, facilities connectivity, unimpeded trade, financial integration and, people to people bonds (Kondapalli & Xiaowen, 2017, p. 73). The world's great expectations further increase the audience for what the Chinese sometimes describe as the country's "*second opening*", after the 1979 model which led to China's rapid growth over three decades (Godement, 2015, p.2). Out of five main goals, connectivity is one of the major thrusts of BRI. It is a mammoth trans-regional connectivity project.

Connectivity denotes connecting two or more entities, underscoring the discrete nature of sovereign nation-states. Connectivity is all about physical, institutional and people-to-people linkages that has multiple implications. Improved connectivity can reduce the cost and flourish trade.

Connectivity projects of the initiative will help align and coordinate the development strategies of the countries along the Belt and Road, tap market potential in this region, promote investment and consumption, create demands and job opportunities, enhance people-to-people and cultural exchanges, and mutual learning among the peoples of the relevant countries, and enable them to understand, trust, and respect each other and live in harmony, peace and prosperity (Macaes, 2019, p. 43)

There are altogether six main routes (economic corridors) to connect countries. Out of them, in South Asia, there is already Bangladesh-China-India-Myanmar Economic Corridor (BCIM) and China-Pakistan Economic Corridor (CPEC) has been advancing rapidly and the China-Nepal-India Economic Corridor (CNI) has also been proposed.

Countries participated in BRI can utilize their own resources in optimal way and their economic can be fostered in a sustainable way. Therefore, there can be a tremendous possibility of mutual cooperation. "The successful implementations of the BRI will lead towards changes also in the international financial system and it will affect China's foreign policy, international trade, international relations as well as China's domestic economy (Joshua, 2019, p.206)."

The BRI is likely to transform the geopolitical and geostrategic and international relationship with implications for global governance. The BRI will enhance the opportunities for mutual trade between the participating countries. The BRI allows reciprocal mutually beneficial trade relationships to be formed (Joshua, 2019, p.207).

Nepal is a landlocked country located in South Asia and shares borders with two giant countries: China and India. Due to a landlocked status, Nepal found itself as a hostage of geography, severely limiting its development prospects in a various frontiers. Till date, economic development has not been accelerated. As a buffer State, she has been facing some of barriers in a development process. Now, it can change its status quo from landlocked to land linked.

China and Nepal have emphasized on intensifying implementation of the MoU on Cooperation under the Belt and Road Initiative (BRI) to enhance connectivity, encompassing such a vital components as ports,



roads, railways, aviation and communication within the overarching framework of Trans-Himalayan Multi-Dimensional Connectivity Network. A framework for a long-term economic cooperation particularly cross-border connectivity has been prepared and the scope of cooperation has been further widened with China. China remained Nepal's largest source of FDI and second largest source of tourists (Government of Nepal, 2018, p. 49).

Since BRI establishes connectivity, Nepal, and China could get benefit out of it. It might help to develop tourism-related infrastructures, enhancing the capacity in the service sectors and technology transfer. Due to connectivity, the tendency of visiting Nepal or go through it can be increased by leaps and bounds. The basic assumption is that by virtue of it, the number of tourists will be increased by leaps and bounds. That can strengthen tourism-related activities and contribute to the economic development of Nepal. It means that BRI can pave the way forward for the development of Nepal.

Despite the possibilities, there are some major concerns over the project. China attempts to describe the BRI project as a win-win strategy. To counter this argument, Joseph S Nye, Jr, professor at Harvard University states in his article "*Xi the Marco Polo*" that China's motives are not purely benevolent...higher-yield infrastructure investment makes sense, and creates alternative markets for Chinese goods" (project-syndicate, 2017). It shows the realist conviction of acquiring power and thereby retains it for its core national interests.

China has pursued a more assertive foreign policy in recent years, and will likely continue on this path given its growing economic and military power (which includes both conventional and nuclear forces)

and expanding global interests. Beijing now has a range of capabilities that it can use to achieve these interests, which are concentrated in Asia but extend well beyond them (Dubinsky, 2015).

The theory of 'offensive realism' suggests that rising states often experience periods of instability which may prompt them to seek to change the status quo, as demonstrated by Imperial Japan and Bismarckian Germany. Thus, there is the concern of that as China continues to grow it may be more tempted to discard a conservative approach to its foreign policy and unilaterally begin to challenge international norms, a common concern voiced by 'China Threat' scholars. As well, as neo-realist political theorists have pointed out, rising powers achieving a certain level of power may seek to consolidate their gains, possibly even by changing the international system to one more favorable to their position...neo-realist great power theory has noted that great powers inevitably have a larger number of international interests and commitments, and often seek to better protect their new interests through a more assertive foreign policy (Lanteigne, 2009, p. 33).

Still, the very fact of Chinese economic power-increasingly accompanied by military power-will lead to a pivotal degree of tension in the years ahead (Kaplan, 2012, p. 227).

Consequently, countries are becoming more vulnerable and easily move toward the influence of China. In case of Nepal, if BRI 'increases dependency', it might constraint foreign policy options of Nepal. Again, the possibility of alignment regarding policy adjustment might prevail with the desire of China. In this sense, the relationship with China will really be more complicated in the days ahead. BRI also may invite challenges of environment protection and social confrontation because of clash of interests in various fields.

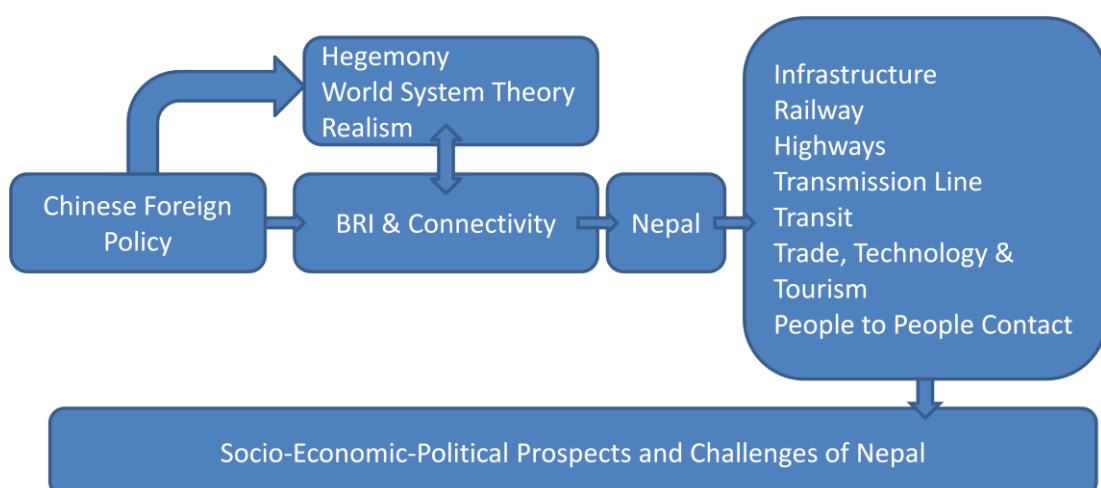
## CHAPTER 3

### METHODOLOGY

For this research, a qualitative research methodology has been applied which is descriptive and analytical in nature. The content of the research has been based on secondary data. The secondary data related to BIR, Connectivity, and Chinese Foreign Policy has been collected through various sources of literature such as books, journal articles, government publications, international reports, web sources and newspaper articles.

Connectivity is an independent variable of this research while Belt and Road Initiative and Chinese Foreign Policy are dependent variable. The research is subjective in nature as it has relied on reaching conclusions through interpretations of events that have taken place in contemporary history regarding the research topic. The research has taken a deductive approach as it has analyzed by linking connectivity, BRI and Chinese foreign policy. These particular ideas have been narrowed down to reach in appropriate conclusions.

#### 3.1 Theoretical Framework for Research



**Fig (i): Theoretical framework**

China lead BRI is a mega connectivity project. It has been initiated in line with the Chinese foreign policy and its international interest. Countries involved with BRI seek sustainable economic growth by upgrading their infrastructures such as railways, highways, transmission lines, transit, trade, technology, tourism, and people to people connection. Since Nepal faces connectivity problems due to landlocked status, the research explores the prospects of connectivity concerning Nepal, especially of socio-economic and political prospects.

At the beginning, the research defines the basic concepts of BRI, Chinese foreign policy, connectivity and some of the theoretical aspects. Then, it attempts to analyze different aspects of connectivity as mentioned in the framework. The research has rested upon the idea of getting support from BRI framework development policy but it will have certain policy influence.

### **3.2 Data Collection and Processing**

To carry out this research, the data has been collected through secondary sources such as books, journal articles, government publications, international reports, web sources and newspapers by adopting a qualitative approach focusing on content analysis. After collecting data, it has been analyzed through the current context to understand and reach in a conclusion. Connectivity, BRI and Chinese foreign policy are the key factors that could affect in a range of development process of Nepal.

As a tools and techniques, secondary sources of data like books, reports, journals, articles, newspapers, online sources have been collected and used as a reference. The nature of the research is qualitative. Exploratory method has been employed as a method of analysis. The research has highlighted over the myriad literature on BRI, connectivity, and Chinese foreign policy. It has been attempted to analyze the policies and practical aspects of BRI as connectivity in the context of Nepal.

## CHAPTER - 4

### CHINESE FOREIGN POLICY AND BELT AND ROAD INITIATIVE

#### 4.1 Contemporary Chinese Foreign Policy

Basically, foreign policy is the extension of domestic policy. "Foreign policy of a country is determined by the times in which it is conducted. It is also influenced by its history and its geographical position" (Dutta, 2007, P.1). Similarly, Chinese foreign policy has come a long way from close to open; and from regional to global. "It has been based on the ideas of 'peaceful rise' (*heping jueqi*) and 'harmonious world' (*hexie shijie*) (Lanteigne, 2009, p 31)".

Much of China's foreign policy thinking in the area of state-to-state relations has been based on the Maoist doctrine of the Five Principles of Peaceful Co-existence which calls for mutual respect's territorial integrity and sovereignty, mutual non-aggression, mutual non-interference in each other's international affairs, equality and mutual benefit, and peaceful co-existence. Today, in addition to strong Westphalian (state-centric) view on the state sovereignty, much of modern Chinese foreign policy is guided by the 'four no's' (*Sibu*), namely no hegemony, no power politics, no military alliances, and no arm racing (Lanteigne, 2009, p. 11).

And, China's very "commitment to a more active role in the international regime" (Chung & Liao, 2016, p.6), has been reflected in the concept of BRI. It also "reflects the change towards a more active foreign policy strategy, one aimed at shaping China's external environment rather than merely adapting to it" (Macaes, 2019, p 15).

China has taken the most complex journey, from ancient civilization through the classical empire, to the Communist revolution, to modern great-power status – a course which will have a profound impact on mankind (Kissinger, 2015, p. 213). China's journey from an isolated state to a regional power to a hub of the globalized economy is incredible. Now, the narrative of "The rise of China" has been surfaced across the world which is one of the significant phenomena in international relations of the twenty-first century. However, "its recent assertiveness partially compromised China's self-proclaimed 'peaceful rise'. This implies that China's foreign policy is just, morally unimpeachable and principled (much the same claim as is routinely made by the US, of course)" (Burleigh, 2017, p. 242). Again, "the world *rise* seems to have been an issue with some of China's neighbors, as it was indeed perceived as slightly threatening, therefore, the name of the grand strategy was changed to '*peaceful development*' (Danner, 2018, p. 33). Despite the fact, "China is the first rising power to develop within an international system characterized by what can be called 'regime saturation' (Lanteigne, 2009, p. 32). Now, "Chinese leaders try to demonstrate that rising Chinese economic, military, and political power and influence should not be viewed as a threat but should be seen as an opportunity for greater world development and harmony (Sutter, 2012, p. 13)". And, "foreign policy of a country is determined by the times in which it is conducted. It is also influenced by its history and its geographical position" (Dutta, 2007, p. 1). This is somehow true in the case of China also.

The Himalayan Range is a "*natures' version of a Great Wall of China*", (Marshall, 2015, p.44). Earlier, the Himalayan range could save the country by protecting from western invader. Now, it is no longer barrier due to technological advancement. The foreign policy of China has gained confidence from the Maoist and

Dengist eras. Initially, Chinese foreign policy had been shaped by two personalities Mao Zedong and Deng Xiaoping. "If Mao was the revolutionary leader, Deng was the transformative one (Burleigh, 2017, p. 203). During the time of Mao, China was agriculture-dominated economy and its foreign policy was based on nationalism. After that, Deng Xiaoping adopted some of the foreign policies gradually and carefully. "He quickly undertook to reform the economy and open up society. Pursuing what he defined as "*socialism with Chinese characteristics*," he liberated latent energies of the Chinese people (Kissinger, 2015, p. 225). As his saying goes on," *it was impossible to open window without some flies getting in*". This is how, China engaged internationally. Again, "Deng's 24 character foreign policy doctrine of which the most prominently remembered phrase remains *conceal one's capacities and bide one's time, keep a low profile* (Danner, 2018, p.4).

Each Chinese leader has endeavored to place distinct stamp on Chinese foreign policy and Hu Jintao is not an exception. Two foreign policy concepts which have dominated his discourse have been 'peaceful rise' (*heping jueqi*) and 'harmonious world' (*hexie shijie*) (Lanteigne, 2009, p 12)". In the book, *Chinese Foreign Policy: An Introduction*, author, Marc Lanteigne summarizes Chinese foreign policy as below;

Much of China's foreign policy thinking in the area of state-to-state relations has been based on the Maoist doctrine of the Five Principles of Peaceful Co-existence which calls for mutual respect for each other's territorial integrity and sovereignty, mutual non-aggression, mutual non-interference in each other's international affairs, equality and mutual benefit, and peaceful co-existence. Today, in addition to strong Westphalian (state-centric) view on the state sovereignty, much

of modern Chinese foreign policy is guided by the 'four no's' (*sibu*), namely no hegemony, no power politics, no military alliances and no arm racing (Lanteigne, 2009, p. 11).

Now it becomes clear that China has so-called anti-hegemonism as one of its main thrust of foreign policy. Lukas K. Danner, professor in the International Relations Department at Florida International University, Miami briefly mentions following foreign policies of China in his book '*China's Grand Strategy: Contradictory Foreign Policy?*' (2018);

After having first published a white paper on 'China's Peaceful Development Road' in 2005, a follow-up policy report was issued in 2011 entitled 'China's Peaceful Development'. The key foreign policies of the latter were as follows:

- Promoting the building of a harmonious world,
- Pursuing an independent foreign policy of peace,
- Promoting new thinking on security, featuring mutual trust, mutual benefit, equality and coordination,
- Actively living up to international responsibility,
- Promoting regional cooperation and good-neighborly relations.

The main aims of these policies were found to be 'promot[ing] development and harmony domestically and pursu[ing] cooperation and peace internationally (p. 105). Nevertheless, China's economic interest plays a very essential role in shaping foreign policy. "Chinese foreign policy in the coming decade will largely focus on maintain the conditions necessary for the country's continued economic growth" (Xuetong, 2019, p.40). Since the Cold War, Chinese foreign policy has demonstrated much greater moderation, engagement, and integration with the existing world order than prevailed in the past (Sutter, 2012, p. 10). Yet, President Xi's "proactive" foreign



policy requires China to work closely with other countries. Beijing is not seeking to build a formal alliance structure, but Xi Jinping has declared his intention to "make more friends" and forge a "community of shared destiny" in Asia (Miller, 2017, p. 22).

China is now governed by the fifth generations of leaders since the revolution (Kissinger, 2015, p. 227). China under Xi Jinping is in no mood to hide its strength as President Xi's predecessors advised (Muni & Chadha, 2015, p. 244). Now, Chinese President Xi Jinping stressed that, "corruption will undermine the legitimacy of the Communist Party. He seeks a China in which 'nobody dares be corrupt' (Burleigh, 2017, 225). Along with the domestic ant-corruption campaign, for the first time, Xi Jinping put forward "*Economic Belt along the Silk Road*" during his state visits Kazakhstan in September, 2013. Later it was revised as "*One Belt, One Road*" and then as *Belt and Road Initiative (BRI)* to make it more inclusive. To BRI, "what the Chinese sometimes describe as the country's "*second opening*", after the 1979 model which led to China's rapid growth over three decades (Godement, 2015, p.2).

Belt and Road Initiative is Xi Jinping's signature policy, designed to secure his legacy (Miller, 2017, p. 25). The initiative is a long-term economic "*grand strategy*", which is still only in its initial stage of implementation. "Grand strategy can be defined as the general, long-term security and foreign policies of a territorial state. Grand strategy attends to the national interests of a state through the use of all means of statecraft available or at the disposal of a country, namely, economic, military, diplomatic, political, financial, and information tools" (Danner, 2018, p.23). Furthermore, "The BRI strives to systematically integrate domestic and foreign policy priorities. With China being a "major power" and Xi Jinping being a strong leader, the

BRI has broader global implications and also faces stricter scrutiny abroad" (Ye, 2020, p.7).

#### **4.2 BRI: Roots and Routes**

The Belt and Road Initiative (BRI) inherits the spirit of ancient Silk Road in terms of connecting others, exchanging goods and culture (Kondapalli & Xiaowen, 2017, p. 79). Roots of the history of BRI, can be seen briefly as below;

German geographer and geologist Baron Ferdinand von Richthofen (1833-1905) coined the expression "Silk Road" to describe ancient trade routes between China and the West, although this was something of a misnomer because other commodities besides silk were traded. The Silk Road was also pathway for ideas and creeds such as Buddhism, which spread along its path from India to China (Bryson, 2000).

In a similar vein, Peter Frankopan in his book, *The New Silk Roads* (2018) discloses the importance of Silk Road as below;

In fact, the Silk Road serves as a term that describes the ways in which people, cultures and continents were woven together - and in doing so help us better understand the way that religions and languages spread in the past, while showing how ideas about food, fashion and art disseminated, competed and borrowed from each other (p.2).

President Xi Jinping glorifies the history of Silk Road in a friendship tone in his book *"The Governance of China I"* as below;

Throughout the millennia, the peoples of various countries along the ancient Silk Road have written a chapter of friendship that has been passed on to this very day. More than 2,000 years of exchanges

demonstrate that on the basis of unity, mutual trust, equality, inclusiveness, mutual learning and mutually beneficial cooperation, countries of different races, beliefs and cultural backgrounds are fully able to share peace and development. This is the valuable inspiration we have drawn from the ancient Silk Road (p.316).

So, the Belt and Road Initiative (BRI) seems to be the 'Revival of Silk Road', in the changing context. "The initiative has land and sea components, known respectively as the Silk Road Economic Belt and the Twenty-First Century Maritime Silk Road" (Macaes, 2019, p 23). Literally defining, the Belt refers to a series of overland roads, pipelines, railways, and other infrastructure through Central Asia, South Asia, and the Middle East to Europe. The Road refers to a series of ports and maritime trade routes through the South China Sea and the Indian Ocean to the Middle East, the east coast of Africa, and onward to Europe (Shatz, 2016, p.93). At the beginning, it had been said One Belt, One Road (OBOR). Now, it's being more simplify as a Belt and Road Initiative (BRI) is a mega trans-regional connectivity project. Countries along the initiative have their own resource advantages and their economic are mutually complementary. Therefore, there is a great potential and space for cooperation. Moreover, the main goals of BRI are about policy coordination, facilities connectivity, unimpeded trade, financial integration and people to people bonds (Kondapalli & Xiaowen, 2017, p. 73).

BRI principles are also rooted in Chinese foreign policy which is based on, "the United Nations Charter, Five Principles of Peaceful Co-existence, inclusiveness and free market operations (Kondapalli & Xiaowen, 2017, p. 39). And, China's very "commitment to a more active role in the international regime" (Chung & Liao, 2016, p.6), has been reflected in the concept of BRI. It also "reflects the change towards a

more active foreign policy strategy, one aimed at shaping China's external environment rather than merely adapting to it" (Macaes, 2019, p 15).

To promote the connectivity and the economic cooperation between China and the countries involved, "in May 2017, sixty-eight countries representing two-thirds of the world's population and half of its GDP gathered in Beijing for the first Belt and Road Initiative (BRI) summit" (Khanna, 2019, p. 1). As a grand geo-economic vision as well as a long-term geopolitical strategy, the initiative has been surfaced in a new way in a new context for the greater cause, at least from the Chinese perspective.

Kondapalli and Xiaowen, in their book: *One Belt, One Road: China's Global Outreach* (2017) briefly enlists the following main routes of BRI:

1. The New Eurasian Land Bridge Economic Corridor: It passes through the coasts of China to Central Asia, Russia and Europe through railways, connecting energy fields. There are 39 rail routes opened operating 3,000 trains to 14 cities in 9 European countries.
2. China-Mongolia –Russia Economic Corridor: To connect Eurasian Economic Union and Mongolian Prairie Road Programme.
3. China-Central Asia-West Asia Economic Corridor: From northwest China to Central Asia to Persian Gulf, Arabian Peninsula, Mediterranean coast. Energy as the "main axis"; hi-speed railway with Turkey.
4. China-Indochina Peninsula Economic Corridor (CIPEC): Sino-Laos railway, Sino-Thai railway, Lancang-Mekong river channel; Mohan/Boten zone with Laos.
5. China-Pakistan Economic Corridor (CPEC): KKH-Phase II (Thakot to Havellian section); Peshawar-Karachi motorway, Gwadhar port, energy projects

6. Bangladesh-China-India-Myanmar Economic Corridor (BCIM): To link up with the Pacific and Indian Oceans (p.6)

Out of six main routes (economic corridors) in BRI, in South Asia, there is already Bangladesh-China-India-Myanmar Economic Corridor (BCIM) and China-Pakistan Economic Corridor (CPEC) has been advancing rapidly and the China-Nepal-India Economic Corridor (CNI) has also been proposed. Through the project, China "will integrate itself deeper into the world economic system" (Macaes, 2019, p. 45). As a whole, through BRI, 'the flagship project', China has been expanding its roots and routes in the world.

The initiative will be backed by financial brawn: China's two policy banks- China Development Bank and the Export Import Bank of China – already lend more in Asia Development Bank combined. By financing roads, railways, ports and power lines in underdeveloped parts of the Asia, the Belt and Road Initiative aims to draw China's neighbours ever tighter into Beijing's economic embraces. The initiative is Xi Jinping's signature policy, designed to secure his legacy. Beijing is supporting it with new financial institutions, notably the Asian Infrastructure Investment Bank and the Silk Road Fund. (Miller, 2017, p. 25).

BRI, "will be a great undertaking benefitting the people of all countries along the routes" (Xi Jinping, 2019, p.317). At the same time, it could "transform China from a regional into global power" (Macaes, 2018, p.30).

#### **4.3 BRI: A Narrative of Win-Win?**

As a developing country, Nepal badly needs huge investment to improve the well-being of people. "Beijing's economic power and its ability to promote large-scale

growth have made it a tempting model for other developing states, while China has not been reluctant to offer greater assistance to the developing world" (Lanteigne, 2009, p.30). Of course, China is willing to work with an anticipation to promote mutual beneficial cooperation in various fields including infrastructural up-gradation, economic development, and enhancement of the capacity in the service sector, technology transfer, cultural collaboration and above all sustainable development. However, it is "not a zero-sum game, but a win-win scheme"(Changzheng & Hongyu, 2016, preface). To counter this argument, Joseph S Nye, Jr, professor at Harvard University states in his article "*Xi the Marco Polo*" that China's motives are not purely benevolent...higher-yield infrastructure investment makes sense, and creates alternative markets for Chinese goods. Similarly, Brahma Chellaney, Professor of Strategic Studies at New Delhi based Centre for Policy Research, argues in his article "*China's Debt-Trap Diplomacy*" that 'through its \$1 trillion "one belt, one road" initiative, China is supporting infrastructure projects in strategically located developing countries, often by extending huge loans to their governments. As a result, countries are becoming ensnared in a debt trap that leaves them vulnerable to China's influence'.

If BRI 'increases dependency', it might constraint foreign policy options of the Nepal. Again, the possibility of alignment regarding policy adjustment might prevail with the desire of China. In this sense, the relationship with China will really be more complicated in the days ahead. BRI also may invite challenges of environment protection and social confrontation because of clash of interests in various fields.

Despite those arguments, Chinese President Xi Jinping has reiterated in many official occasions that the Initiative is an open, diversified and win-win project poised to bring huge opportunities for the development of China and many other countries.

But, we have to see how China is going to fit its self-proclaimed 'win-win' narrative in South Asia including Nepal and build the confidence within home and at abroad.

#### **4.4 BRI: Cooperation or Competition?**

In South Asia, "India is the dominant player, due to its territorial size, large population, and the current rapid pace of economic growth, and its position as a nuclear power". (Delinic, 2011, P.9) At the same time, "China has pursued a more assertive foreign policy in recent years, and will likely continue on this path given its growing economic and military power"(Dubinsky, 2015). In this sense, "both are emerging powers, and from the realism perspective, the nature of Beijing's links with New Delhi is in conflict. India intends to build its great power status in the Indo Asia Pacific region, and compete with China in the fields of energy, trade and investment. India has been worried about the rising of Chinese navy in the Indian Ocean, as well as China's plans to build ports in Pakistan and Sri Lanka". "(Changzheng & Hongyu, 2016, p. 46-47) "In order to compete with China for regional influence, the Indian government in June 2014 launched its own Silk Road Program – "*Mausam*", trying to take advantage of its leadership role in security and trade issues in the Indian Ocean, formidable naval strength, favorable geographical location, as well as a historical and cultural advantages, in order to lead the strategy. Moreover, India also tries to intervene in the political situation of the neighboring countries to weaken China's presence. India knows very well that Sri Lanka and Maldives are crucial if China wants to stand still in the Indian Ocean. India's influence on Sri Lanka regime change is the sign that India never allows a second Pakistan, which is hostile to India, but close to China in South Asia". (Changzheng & Hongyu, 2016, p.46-47) Obviously, India does not want to lose its sphere of influence in South Asia. It has been asserting

*'Neighborhood First Policy'* introduced by Prime Minister Narendra Damodardas Modi.

Now, "South Asia has a great significance to the B&R strategy, so China attaches great importance to the participation of South Asian countries, especially India, and has proposed the "closer partnership" with India, invite them to join "The Belt and Road", and build a "BCIM economic corridor" jointly. Although India intends to strength the relations with China, and has the high degree of concern about B&R strategy, its attitude is full of competition and countermeasures, and the concept of geopolitical competition gains the upper hand" (Changzheng & Hongyu, 2016, p. 46-47).

Similarly, "President Xi Jinping's visit to Maldives, Sri Lanka, India and Nepal greatly promoted the development of the bilateral relations between India and China, despite India's conservative reactions to China's visit. In this situation, China will be able to strengthen its cooperation with India by effectively combining the B&R strategy with India's *Mausam* plan, promoting the development of "Sino-Bangladesh-Burma Economic Corridor", imposing a check and balance through a closer relationship with Pakistan, and investing India's high –speed railway infrastructure as the starting point of further cooperation" (Changzheng & Hongyu, 2016, p. 53).But, it has been viewed with 'skepticism' within China's immediate neighborhood as well as resistance from outside powers. However, it notes that the main regional powers recognize the benefits of China's plan" (Godement, 2015, p.4)."China is presented as a country that has learnt from history and intends to break the pattern of the rise of great powers, creating a new precedent of peaceful rise. China refuses "traditional geopolitical confrontation, does not "strive for hegemony" and "does not cheat and does not threaten" its neighbors. Instead, China is committed



to peace, and the implementation of the OBOR is the evidence of this commitment (Godement, 2015, p.6) However, there exists 'China threat' in the world. "Many fear that the OBOR is a veiled attempt by China to dominate its neighboring regions". (Godement, 2015, p.12) And, "India sees the initiative not as an opportunity, but as a threat or a form of competition" (Godement, 2015, p. 13).

"On a regional level, India, the US, Russia, and Japan are all important players in OBOR countries and could use their power to block China's plans." (Godement,2015, p.4)

New Delhi has not only been facing huge trade but also deep trust deficits despite growing economic and strategic ties with China. "If 2016 was marked by China's decision to block India's entry into the Nuclear Suppliers Group, 2017 was defined by an extended military confrontation in the Doklam plateau"(C. Raja Mohan, 2017). "Although both China and India are rising, the gap between the two has not narrowed, but widened, in the last two decades. This reality, combined with the bitter memory left by the Sino-Indian war in 1962, colors the Indian attitude towards China even today"(Lin, 2017, the Diplomat). So, there exists deep distrust between two Asian giants. If they are not going to overcome the existing trust deficit, it will definitely undermine the initiative. One simply cannot ignore that the "ideological difference is also the biggest obstacle" (Zuokui, 2016, p.41).

However, there is a debate to join BRI or not, within India. Raghavan argue that "India is effectively depriving itself of an opportunity to shape the transforming landscape of Asia" (Raghavan, 2017, Hindustan Times)."Indian commentators have expressed concern that smaller states will become overly dependent on Chinese loans and trapped in debt servitude to Beijing. A worrying example for these BRI critics occurred in July 2017 when Sri Lanka gave China control of the deep-water port of

Hambantota in exchange for Chinese debt forgiveness" (Hays, 2017). However, the initiative has its own limitation. Huang Yiping and Chu Yin discuss the limits of China's capabilities, warning that the project could be derailed by ham-fisted great power diplomacy, inattention to political risk, or excessive central planning" (Godement, 2015, p.3)."On the positive side, India has been cooperating with China in many areas. It was one of the first countries to join the China-led Asian Infrastructure Investment Bank (AIIB). Besides that, India and China are part of the BRICS, along with Brazil, Russia and South Africa. They have also teamed up at global forums on climate change to resist demands from developed nations to agree to binding emission cuts. China and India, however, fear that agreeing to binding emission cuts would force them to jettison their ambitious growth targets"(Borah, 2016). Some experts argue that the initiative has profound strategic implications for India. It is an opportunity as well as a challenge for India's long-term development strategy. New Delhi needs to carefully consider how it could balance its long-term economic development objectives and national security needs in its response. Nevertheless, China has been expanding its geopolitical influence backed by its economic power, not only in the South Asia but across the world. Amid these circumstances, "BRI is driving a wedge between these neighbors and creating an opportunity for the United States to strengthen its ties with New Delhi"(Hays, 2017). Nepal is sure to find itself caught between China – India rivalry. If so, the development of Nepal will be jeopardized.

## CHAPTER 5

### REALISM IN CHINESE FOREIGN POLICY AND BRI

The foreign policy of each nation is formulated on the basis of its national interest. "Foreign policy is not separate from national policy; instead, it is a part of it. It consists of national interests that are to be furthered in relation to other furthering national interests in their foreign policies within the limits of their strength and the realities of the external environment" (Malhotra, 2016, p.122). Again, "foreign policy is the manner in which states interact with other states, international organizations, and foreign non-governmental actors. Foreign policy thus includes all competitive and cooperative strategies, measures, goals, guidelines, directives, understandings, agreements etc. through which a state conducts its international relations" (Jackson and Sørensen, 2013, p.307). In this reference, no doubt, execution of Chinese foreign policy is to fulfill its international interest.

By ending thirty years of civil war, the communist party of China came to power in 1949 under Mao Zedong. The country was unified by Mao Zedong Thought. Mao Zedong Thought includes Marxist-Leninist approach. "Under Mao the party became nationalist and indigenized, with everything 'according to Chinese Characteristics' (Brown, 2018, p. 33). During the time of Mao, the country was totally different and isolated. Nationalism was the major tenets of its foreign policy. Part of the reason is that there were anti-colonial movements across the world. "Mao put China forward as a leader of the nonaligned movement and the developing world more broadly, competing directly with the Soviet Union" (Economy, 2014, p.19). And, the overall Chinese foreign policy was guided by the spirits of Mao Zedong Thought. After that, as a part of economic reform, China adopted open market policy in 1980s under Deng Xiaoping. "Deng Xiaoping's theory is the adoption of market

socialism, basically the acceptance of a more pragmatic form of Marxism-Leninism" (Brown, 2018, p. 47). In fact, "Deng's approach was in no doubt to use liberal means to achieve realist ends (Yue, 2018, p.254). However, "the intellectual and cultural roots of Chinese foreign policy lie in Confucian and Taoist thought, a long history, China's self-perception in relation to its neighbors, and its unique physical and demographic landscape" (Lampton, 2014, p.110).

Chinese foreign policy has been evolving by leaps and bounds along with time. Four decades long economic reform and unprecedented economic growth across the region has been a major contributing factor for gaining confidence in terms of foreign policy. In a course of time, Chinese foreign policy has been determined by various leaders since 1949. Its foreign policy has been guided by communist ideology. Basically, Chinese communist party decides in a range of foreign policy issues. Now, its foreign policy has been largely shaped by the Belt and Road Initiative (BRI). In other words, BRI is synonym to foreign policy. BRI is Xi Jinping's most ambitious strategy in modern history. It is also a "strategy to project power in the region and in the world" (Ye, 2020, p.24). Through this proactive foreign policy, China aims at "shaping external environment rather than merely adapting to it" (Maces, 2018, p.15). It means "China is changing its position from being a passive rule-follower and from joining the regional and global division of labor to becoming a proactive rule-settler through external capital expansion and production outsourcing in line with China's internal economic restructuring (Xing, 2019, p.18). Xi's "striving for achievement" has replaced "keeping a low profile" as the fundamental tenet of Chinese foreign policy (Maces, 2018, p.18). In this way, China has become a significant role player in the global context. She "does not want to be a bystander" (Xing, 2019, p.23). China-centric institutions have been established to realize its foreign policy goal. At the

same time, "Beijing steadfastly continues to remind the world that it will "never seek hegemony" once it emerges as a major international power" (Shambaugh, 2013, p.21). Despite those debates, in the book *The Governance of China I*, President Xi stresses that China is committed to peaceful development and an independent foreign policy of peace. We respect the development paths and domestic and foreign policies pursued independently by the people of every country (p.316). In this reference, it is plausible to view Chinese foreign policy and its initiative through the lens of theoretical perspective particularly of Critical Theory focusing on Hegemony, Realism, and World System Theory.

### **5.1 Hegemony**

Hegemony simply means domination over the system. It could be both regional and global in nature. The term hegemony has been frequently in use in the field of international politics

Critical theory moves beyond the traditional Marxist concern with the development of productive forces and the emancipation of working classes. This theory came into existence in the late 20<sup>th</sup> century in order to challenge both neorealist and neoliberal theories in International Relations (IR). Within the realm of critical theory of IR, the idea of hegemony has been introduced by Italian neo Marxist Antonio Gramsci.

One strand was influenced by the political thought of Antonio Gramsci and sought to apply his theory of hegemony to IR and particularly in the field of international political economy. Robert W. Cox is the leading theorist of this strand. He argued that the dominate states, groups, and individuals of international capitalism benefited from hegemony but that alternatives to the system were imminent. Hence, he

sought to identify counter hegemonic movements that challenged dominant structures and principles (Lamba & Snape, 2017, p.82).

The idea of hegemony seems to be more relevant even today in relation to China also. No doubt, China's rise as a regional superpower and major world economic power can subvert the hierarchy of international politics by leaving behind the United States of America. In fact, "China offers an alternative to the hegemony of the liberal form of democracy as the most influential model of politics. (Lamba & Snape, 2017, p. 131-132). In the book, *Mapping China's 'One Belt One Road*, editor, Li Xing relates China's BRI and its foreign policies to a neo-Gramscian theory of hegemony as below;

In neo-Gramscian terms, the BRI can be seen as an attempt to create an alternative historical bloc to challenge the existing order, with China seemingly striving to assume ideational and material leadership (Yilmaz 2014). BRI strategy reflects the Gramscian notion of "war of position" in that Beijing is developing alternative "multilateralism" (China-led international financial institutions) as an institutional tool to realize the initiative. This China-led institutional arrangement is innovative in terms of international relations, marking Beijing's adjustment to a more proactive approach in its foreign policies. It also indicates that China's pursuit of the initiative through multilateralism will consolidate its position as a new player in the game of norm-setting and norm diffusion (Xing, 2019, p.40).

In the book, *The Tragedy of Great Power Politics* (2001), John J. Mearsheimer states that States maximize relative power, with hegemony as their ultimate goal (p.22). The recent rise of China has been undeniably impressive,

promoting may observers to conclude it is destined to achieve hegemony, or the ability to compel the other governments in the region to conform to China's preferences on political and strategic issues as well as to prevent or roll back any major strategic re-adjustment that China has choose to oppose" (Roy, 2020).

Nevertheless, concerning China what form of hegemony might take is the question of today.

## **5.2 BRI through Window of World System Theory**

Immanuel Wallerstein (1930-2019) is the pioneer of World System Theory. "Wallerstein argued that thus far we have had only two types of world-systems. One is the world empire, of which ancient Rome is an example. The other is the modern capitalist world-economy. A world empire is based on political (and military) domination, whereas a capitalist world economy relies on economic domination (Ritzer, 2000, p.299). Wallerstein divides the world into three categories namely core, periphery and semi periphery.

The core geographical area dominates the capitalist world-economy and exploits the rest of the system. The periphery consists of those areas that provide raw materials to the core and are heavily exploited by it. The semi-periphery is a residual category that encompasses a set of regions somewhere between the exploiting and the exploited. The key point is that to Wallerstein the international system is defined not by state borders but by the economic division of labor in the world" (Ritzer, 2000, p.299).

According to world-system theorists, the three zones of the world economy are linked together in an exploitative relationship in which wealth is drained away from the periphery to the core. As a consequence, the relative positions of the zones

become ever more deeply entranced: the rich get richer while the poor become poorer. Together, the core, semi-periphery, and periphery make up the geographic dimension of the world economy (Baylis, Smith & Owens, 2014, p. 121).

The world system theory argument is clear: while China is successfully moving toward the core, it still needs a periphery. This argument has been reinforced by recent studies of Latin America's growing commodity dependency on China (Ferchen et al. 2013; Pereira and Neves 2011). (p.45). Of late, such dependency of Pakistan to China has been seen with the CPEC that comes under the BRI. There are rising concerns that the CPEC will increase Chinese influence over Pakistan's decision-making processes in all areas - domestic politics, security affairs, and foreign policy.

### **5.3 BRI through Lens of Realist Theory**

Realism is one of the core theories of international relations. It is based on the idea of constant power struggle. The nature of international system is anarchical and state centered. In fact, the desire to have power in human nature can be seen in the behavior of any particular state. This sort of behavior seems to be natural to ensure survival of state. Thucydides, Machiavelli, Hobbes, Hans J. Morgenthau and Reinhold Niebuhr are the major realist thinkers. All of them share common view as below;

The acquisition and possession of power, and the deployment and uses of power, are central preoccupations of political activity. International politics is thus portrayed as –above all else – 'power politics': an arena of rivalry, conflict, and war between states in which the same basic problems of defending the national interest and ensuring the survival of



the state, and the security of its people, repeat themselves over and over again (Jackson and Sørensen, 2013, p.66).

So, in line with the same theoretical perspective, China has been more assertive in terms of implementing its foreign policy. Chinese president Xi Jinping has put forward Belt and Road Initiative (BRI) as a grand strategy. Li Xing in his book *Mapping China's 'One Belt One Road' Initiative* makes clear as below;

The initiative seemingly looks to the past and is hungry for the future. After all, a considerable part of Chinese foreign policy is made up of nostalgia and of the repression of the historical humiliations inflicted on it by the West and by Japan. The time of the Chinese new "Silk Road" is a time of *déjà vu*, of a power that aspires to be, once again, the "Middle Kingdom" it had been before. (Xing, 2019, p. 284).

BRI has been termed as 'a grand strategy'. "In its original, grand strategy is a fundamentally realist concept, functioning according to the assumptions of the international relations theory of realism (Dinner, 2018, p.27). Balance of power theory and offensive realism predict that the geographical scope of China's political and economic interests will expand and that this will cause a corresponding extension of its geopolitical and military footprint (Dinner, 2018, p. 96, quoted from Layne, 2009, p. 116). According to balance of power theory, strict defensive realism, and offensive realism, a rising China will build up its military capabilities and- broadly speaking-emulated the United States in its sphere. Balance of power theory and offensive realism also predict that China will seek to expand its influence in the international system and to recorder the 'hierarchy of prestige' to reflect the changed distribution of power in its favor (p. 73). In this reference, it can be observed that Chinese foreign policy seems to be contradictory in terms of theory and practicality.

Furthermore, "A realist view thus sees the economic growth and increased wealth in China as potentially undermining the national security of other states" (Bayne & Woolock, 2011, p. 42). Realist school of international relations lays emphasis on the importance of interests and therefore stresses how great powers tend to behave in a similar fashion in the same circumstances. 'Rising powers,' as Robert Kagan argues, 'have in common an expanding sense of interests and entitlement.' Accordingly China will, in this view, tend to behave like any other global superpower, including the United States (Jacques, 2009, p.388).

In the book, *Rethinking the Silk Road (2018)*, Maximilian Mayer takes reference of realist theory in order to view China's growing power and its consequences as below;

The starting point of the first set of theoretical approaches is notion of great powers that are locked in a perennial struggle for domination and hegemony. Realist scholars anticipate, as a consequence of power transition and China's continuously growing material capacities, serious tensions and likely a great power war, typically between the U.S. as the incumbent superpower and China challenger. In one of the much read books in US foreign policy circles, Graham Allison has popularized the concept of 'Thucydides Trap'. He argues that the growth of Chinese power installs creeping fear in U.S. and therefore war is, given the bleak historical record of similar cases, almost certain (Mayer, 2018, p.14)

According to realism, each state actor is responsible for ensuring its own well-being and survival. If the survival of a state or a number of weaker states is threatened by a hegemonic state or coalition of stronger states they should join forces, establish a

formal alliance and seek to preserve their own independence by checking the power of the opposing side (Baylis, 2014, pp.87-93). Similarly, "there is a combination of insecurity and arrogance in China's behavior at present—insecure at home and arrogant abroad" (Shambaugh, 2013, p.14). The sense of insecurity demands more power. "Realist believes that struggles between states to secure their frequently conflicting national interests are the main action on the world stage. Since realist also believes power determines which country prevails, they hold that politics is aimed at increasing power, keeping power or demonstrating power" (Rourke & Boyer, 2004, p.14). In a way, Chinese foreign policy can be perceived as an instrument to acquire more power. That's why; it has been flexing its muscles through economic activities and BRI. At least, theoretically, China does not believe in hegemony. But, practically, China has been seeking more resources in order to maximize benefits in interconnected world. For that, it needs balance and stability both in domestic and in international community. In a nutshell, Chinese foreign policy has been planted in the soil of its domestic politics. And, domestic politics has its roots of nationalism. So, there is constant struggle between existing realities of interdependence and the impulses of assertive nationalism. Furthermore, realists believe that through BRI, Beijing has been challenging existing world system by creating institutions. China has pushed development agenda by means of economic activities to create sphere of influence in countries along the BRI.

## CHAPTER 6

### BRI: PROSPECT FOR CONNECTIVITY WITH NEPAL

#### 6.1 BRI and Connectivity

Connectivity denotes connecting two or more entities, underscoring the discrete nature of sovereign nation-states. Connectivity is all about physical, institutional and people-to-people linkages that has multiple implications. Improved connectivity can reduce the cost and flourish trade.

Connectivity projects of the initiative will help align and coordinate the development strategies of the countries along the Belt and Road, tap market potential in this region, promote investment and consumption, create demands and job opportunities, enhance people-to-people and cultural exchanges, and mutual learning among the peoples of the relevant countries, and enable them to understand, trust, and respect each other and live in harmony, peace and prosperity (Macaes, 2019, p. 43)

Connectivity has the potential of both making and breaking the relations (Rahman, 2014, p. 48). Belt and Road Initiative (BRI) has also been termed as the "connectivity project" having multiple prospects and implications, even the same potential of making and breaking the relations. For example, Nepal adopted "neutralization" (Rose, 1971, p. 282) policy to avoid the consequences of Sino-India's limited war. Nepal dropped the idea of "link" after 1960 in view of intense Sino-Indian hostility in the Himalayan area, but newly defined buffer concept (Rose, 1971, p. 282).

In Sanghai Summit, 2014 Chinese President Xi Jinping states "China always pursue friendship and partnership with its neighbours, and seek to bring amity,

security and common prosperity to its neighbours" (Kondapalli & Xiaowen, 2017, p. 415). China has many neighbours in East, South and Central Asia, as it borders on fourteen other states, including Nepal. Out of five key principles, connectivity is one of the core principles of BRI.

Zou Lie, in his book, *The Political Economy of China's Belt and Road Initiative* (2018), describes connectivity as a precondition for BRI countries to promote economic development and international exchanges. That is why it is treated as a priority in building the Belt and Road. In November 2014, President Xi Jinping said at Dialogue on Strengthening Connectivity Partnership,

The Belt and Road Initiative and the connectivity endeavor are compatible and mutually reinforcing. If the "Belt and Road" are likened to the two wings of a soaring Asia, then connectivity is like their arteries and veins.

How does China interpret the Belt and Road Initiative? President Xi Jinping pointed out,

The connectivity we talk about today is not merely about building roads and bridges or making linear connection of different places on surface. More importantly, it should be a three-way combination of infrastructure, institutions and people-to-people exchanges. It is a wide-ranging and multi-dimensional connectivity network (p.178).

In this reference, connectivity projects are urgent to the landlocked countries like Nepal far away from the sea in order to build or improve infrastructures for sustainable economic growth and development.

## 6.2 BRI and Nepal

Nepal is a landlocked country located in South Asia and shares borders with two giant countries: China and India. Then King Prithvi Narayan Shah himself described the country as a *yam* between two stones and, in that vivid image, highlighted the uniquely difficult security problems that land-locked Nepal faces (Mahesh Chandra Regmi quoted in Khanal's *Nepal Transition from Isolationism*, 1997, p. 103). Due to a landlocked status, the overall development of Nepal is a standstill. Till date, it has been a barrier to all aspects of change. Now, it can change its status quo from "*landlocked to land linked*". It can become a good transit economy. As the world has witnessed China's impressive development, as a neighboring country, Nepal, it cannot be falling behind in terms over all development.

Nepal shares 1, 415 Km. border with China in north. Nepal and China have a long history of political and economic relations (Prasad, 2015, p. 23). And, the two countries formalized their relations on 1 August 1955 by establishing diplomatic relations. The relations between the two countries have been marked by friendliness, understanding, mutual support, cooperation and respect for each other's sensitivities. Both countries have relentless faith on the ideals of the Five Principles of Peaceful Co-existence (MoFA).

BRI establishes connectivity. And, Nepal must come out of its prisoner of Geography. She needs further engagement with China. Nepal and China could get benefit out of it. It might help developing tourism related infrastructures, enhancing the capacity in the service sectors and technology transfer. Because of the connectivity, millions of people visit or go through Nepal. The basic assumption is that by virtue of it, the number of the tourists will be increased by leaps and bounds. That can strengthen tourism related activities and contribute in the overall

development of both countries, especially of Nepal. It simply suggests that BRI can pave the way forward for the overall development of Nepal.

With the signing of the Memorandum of Understanding on Cooperation under the Belt and Road Initiative on 12 May 2017 in Kathmandu between Nepal and China, new avenues for bilateral cooperation in the mutually agreed areas are expected to open. The major thrust of the MoU is to promote mutually beneficial cooperation between Nepal and China in various fields such as economy, environment, technology and culture. The MoU aims at promoting cooperation on policy exchanges, infrastructure connectivity, trade connectivity, financial integration and connectivity of people (MoFA).

Nepal and China have been enjoying cordial and friendly relations since 1955. Since then, there is a frequent exchange of visits by the Head of the States/Government. During visits, multiple bilateral agreements have been signed in order to enhance trade, investment, transit, infrastructure, tourism, energy and connectivity.

China and Nepal have emphasized on intensifying implementation of the MoU on Cooperation under the Belt and Road Initiative (BRI) to enhance connectivity, encompassing such a vital components as ports, roads, railways, aviation and communication within the overarching framework of Trans-Himalayan Multi-Dimensional Connectivity Network. A framework for a long-term economic cooperation particularly cross-border connectivity has been prepared and the scope of cooperation has been further widened with China. China remained Nepal's largest source of tourists (Government of Nepal, 2018).

Veteran Diplomat and Writer of the book: *Nepal World View* (2019), Mr. Madhu Raman Acharya briefly narrates the contemporary aspects of BRI in relation to Nepal as below;

In March 2016, Nepal and China signed ten path-breaking agreements during the visit of Nepal's Prime Minister K.P. Sharma Oli to China. Among other things, Nepal and China signed a transit treaty that would allow Nepal access to the sea through the Chinese territory. Other agreements included the establishment of rail link to Nepal, opening of new border points, building of infrastructure on both sides for better connectivity, including cross-border optic fiber and transmission lines and upgrading roads connecting the two countries. China has started extending the Qinghai-Tibet Railway that has already arrived to Xigatse to the Tibetan border town of Kerung. In yet another visit, of Prime Minister Oli in June 2018, Nepal and China has also welcomed Nepal in its Belt and Road Initiative (BRI) for which the two countries have signed an agreement (p. 201).

Chinese President Xi Jinping also visited Nepal in October 2019. Xi himself posted in Twitter that his visit has elevated bilateral relations to a new height (The Himalayan Times, 2019). During his visit, there were altogether 20 pacts have been signed to boost connectivity between two countries.

### **6.3 Prospects for Connectivity through BRI**

Nepal desperately needs connectivity project like rail and road way, transmission line and high speed internet connection that is intended to bring radical transformation in Nepal's developmental landscape. BRI provides that window of opportunity. By doing so, Nepal can come out of its prisoners' of geography. It is also



necessary to do so in order to minimize over dependency with India. Nepal never forgets that blocked imposed by India immediately after the earthquake in 2015. After the blocked, Nepal reached out to China, and a Protocol of Transit Transport Agreement was signed with China on 7 September 2018. For the first time in over a century, Nepal now had the option of diversifying its transit, trade, investment and economic risks (Shakya, 2019, p. 245). Since couple of years, bilateral relations between Nepal and China have taken a vertical height. Traditional friendship has been renewed for deepening cooperation and mutual benefit.

"The two sides agreed to intensify implementation of the Memorandum of Understanding on Cooperation under the Belt and Road Initiative to enhance connectivity, encompassing such vital components as ports, roads, railways, aviation and communications within the overarching framework of trans-Himalayan Multi-Dimensional Connectivity Network" (mofa.gov.np).

### **6.3.1 Prospects of Railway Connectivity**

Being within the framework of BRI, Nepal has signed MoU on Cooperation for Railway Connectivity with China. It is considered one of the breakthrough projects in the history of Nepal-China relations. It can be termed as a "herald a new era of cross-border connectivity between the two countries" (mofa.gov.np). Himalays seem no more barrier in the 21<sup>st</sup> century owing to the technological advancement. The railway connects Kerung-Kathmandu-Pokhara, and Kerung-Kathmandu-Lumbini. But, given to the harsh weather and toughest topography, it is quite difficult to carry out the project. The study is underway. The report of feasibility study has not come out yet. Despite the fact, there exists question of taking benefit from this project by Nepal.

As China is all-equipped to extend its Qinghai-Tibet railway up to Nepal border in Kerung by 2020, it's an appropriate time to make inquiries about what Nepal has planned to send back to China, once the train reaches Kerung. Indisputably, the whistling train is expected to be laden with low-priced Chinese goods. But, sending the train empty back to China wouldn't be a rational choice on Nepal's part (K.C. & Bhattraï, 2020).

The Chinese railway projects connecting Nepal are expected to be completed by 2020. The railway will be more cost-effective than highways in connecting the Chinese mainland with Nepal. However, Nepal's access to Chinese ports will still be costly (Thaliyakkattil, 2019, p.18). Nevertheless, such a connectivity project is necessary to buffer state like Nepal.

### **6.3.2 Prospects of Roadway Connectivity**

With the financial and technical support of China, some of the highways in hilly region of Nepal have been already constructed. The Aniko Highway, Prithivi Highway, Kathmandu-Bhaktpur road, Gorkha-Narayanghat road, and the Ring Road were much praised projects so far.

Now, out of 22 projects of different five ministries, there are six projects related to road corridors. In the article, *Geopolitical Situation of Nepal: Role of BRI in her Prosperity & Development*, Professor Dr. Khadga K.C. and lecturer Mr. Gaurav Bhattraï from Tribhuvan University enlist the following road corridors.

- a. Karnali road corridor (Jamunaha-Hilsa) through proposed Hilsa dry port
- b. Gandaki road corridor (Belhaiya-Korala) through proposed Korala dry port
- c. Thori-Kerung road corridor through proposed Kerung dry port
- d. Kodari-Birgunj road corridor through Kodari dry port

- e. Koshi road corridor (Rani-Kimathanka)
- f. Bhitthamod-Lamabagar-Lapcha road corridor

Through construction of those corridors, it has been expected to bring substantial changes in the lives of socially excluded and marginalized communities along the corridors. Thus, the idea of 'mutual benefit' through BRI could be exercised in local level. The ultimate impact of such development could be the source of sustained and inclusive democracy.

### **6.3.3 Prospects of Cross - Border Transmission Line**

China has been contributing in Nepal's development efforts for a long time. Out of dozen of ongoing projects, Upper Trishuli Hydropower Project is one of the most significant project. It is related to power station and transmission line. Likewise, "under BRI, Ministry of Energy has proposed 400KV Rasuwagadi-Kerung cross-border transmission line project" (K.C. & Bhattra, 2020).

The transmission line will extend from Galchhi in Nepal to Shigatse in China, which is also route of much-hyped Kathmandu-Kyirong electric railway. Only 80 km out of estimated 800-km length of transmission line lies within Nepali territory. The Nepali portion of the power line will stretch from Galchhi in Dhading district to Rasuwagadhi on the border with China in the north. (thehimalayantimes.com)

The detailed project report (DPR) of transmission line is going to be prepared by Nepal Electricity Authority and State Grid of China. If this project is implemented, it can be the first cross-border transmission line with China. Nepal has already cross-border transmission line connectivity with India at different locations. In fact, the purpose of this project is to meet the demand of energy of within the country. Along

with this, electricity can be exported to neighboring countries, especially to China, India, and Bangladesh in upcoming days.

#### **6.3.4 Prospects of Cross-border Optical Fiber**

Internet is the everyday reality in the 21<sup>st</sup> century. It is inevitable aspects of communication to be globally linked. The proportion of people using internet for business purpose is considerably low in Nepal. There exists digital gap between village and city in terms of access of internet in the country. As Nepal has formally joined the information Highway with China, one way dependency with India has been ended.

Nepal Telecom (NT) and China Telecom Global launched commercial operation of the Internet services after completing the spreading of optical fiber cables between Kerung in China and Rasuwagadi in Nepal, about 50 kilometres north of Kathmandu. The Chinese optical cables got connected to the NT's optical fibre hub at Sundhara from where the Internet services are catered to the clients across the nation. This provides a reliable alternative for the uninterrupted Internet connections. (The Rising Nepal, 2020).

Connectivity through high speed internet will deepen social and cultural bonds between two countries. It will facilitate in trade, business, infrastructure, education and on other dimension of development process under the Belt and Road Initiative.

In the book, *Routledge Handbook of Belt and Road* (2019), Zhang Zhongyuan takes China– Nepal trans- border optical fiber link as a case study of infrastructure connectivity building. According to Zhongyuan, the operation of the fiber link is a milestone for the development of internet infrastructure in Nepal, providing an

alternative route through China for Nepal and will beef- up internet service quality in Nepal (Fang & Nolan, p. 596, 2019). He further mentions as below;

The operation of the China– Nepal cross- border optical fiber link will do good for reversing the weak development of the internet industry in Nepal caused by geography. Internet access from China will not only transform Nepal into a link connecting East Asia, South Asia, Central Asia, Russia and the Middle East, but will also offer a short- cut for internet access for China and East Asian countries to reach the Middle East and Africa (p.597).

China– Nepal trans- border optical fiber link has been effective from January, 2018 with joint efforts of Nepal Telecom and China Telecom. It is supposed to bring people closer and contribute in the economic development of the country under the BRI project.

### **6.3.5 Prospects of Trade, Tourism and Technology Transfer**

#### **Trade**

Nepal has been adopting liberal trade policy. The new Trade Policy, 2015 aims at export promotion and containing growing trade deficit, among others (Consulate General of Nepal, p. 4). Similarly, *International Development Cooperation Policy, 2019* puts forward strategy of Promotion of exports by increasing domestic production, substituting imports, rapidly moving towards correcting trade imbalance, and developing a self-reliant economy (p.6).

China is the second largest trading partner of Nepal. In 2017/18, total exports to China stood above US\$ 23 million. During the same period, import from China was above US\$ 1.5 billion. Trade deficit of Nepal with China has been in an increasing trend (Ministry of Foreign Affairs). As a part of trade promotion, various trade fares

have been organized in China. Despite those efforts, Nepal could not minimize the trade deficit. It is the same case with India. As Purushottam Ojha, a former commerce secretary interviews with Annapurna Express:

It is true that we have been unable to increase our trade with China. The first reason is lack of connectivity. Our transport networks have not been properly developed. Of the six open border points between Nepal and China—Humla, Mugu, Mustang, Keyrung, Tatopani, Olangchungola and Kimathanka—only two—Tatopani and Rasuwagadhi—are connected by motor roads. And even they are in a bad state. The problem is not on the Chinese side, which already has the needed infrastructure (Annapurna Express, 2019).

Therefore, it is obvious that lack of connectivity and low production and productivity are the sole reason for trade deficit. In this respect, BRI could provide an ample of opportunities to fill the gap through trade connectivity.

### **Tourism**

Tourism is a collection of activities, services, and industries which deliver a travel experience comprising transportation, accommodation, eating and drinking establishments, retail shops, entertainment businesses and other hospitality services provided for individuals or groups traveling away from home (Ugurlu, 2010).

"Tourism provides the country with foreign currency and helps earn lots of money as well. It also helps in creating a job opportunity for the people in huge number directly or indirectly"(Basnet, 2016).

Nepal opened its borders to foreign visitors in 1950s. It is a beautiful country, rich and diverse in natural and cultural resources which is in its developmental phase and is full of potentiality in tourism sector. Nepal is an economically backward

landlocked country where the tourism industry plays the vital role in ups and downs in economic bar of the nation" (Basnet, 2016). "The tourism industry is a growing very rapidly and Nepal has tremendous potential for tourism development because of its unique natural and cultural heritage" (Tourism Policy of Nepal).

According to BBC World Service, Nepal is now one of the best tourist destination in the world. It is rich in its natural beauties and cultural heritages. There are 10 World Heritage Sites in Nepal: Pashupatinath Temple, Swayambhunath Stupa, Boudhanath Stupa, Kathmandu Durbar Square, Patan Durbar Square, Bhaktapur Durbar Square, Changu Narayan Temple, Lumbini, Chitwan National park and Sagarmatha National Park. Mt Everest area is one of the Himalaya's premier centers for mountaineering and trekking tourism. There are various forms of tourism in Nepal ranging from adventure tourism, cultural tourism, religious tourism, ecotourism, sports tourism and business tourism. "The high Himalayan regions of Nepal have become the foremost of mountaineering and trekking in Asia. Small-scale adventure links this once relatively remote part of the world with the global economy and provides new opportunities for economic development" (Stevens, 1993). As per the Tourism Policy of Nepal, it is to develop tourism as an important sector of the national economy by developing linkages between tourism and other sectors. And, it is also to diversify tourism down to rural areas so as to improve employment opportunities, foreign currency earnings, growth of national income and regional imbalances. In this sense, tourism can contribute to the GDP of the country. So that it can help to mitigate the poverty.

The tourism sector has generated a living for the locals. However, it has also contributed to the disruption of the environment. In this light, the trade-off between environmental problems and economic gains created by tourism cannot be measured

so easily. A compromise is needed when the economic problems besetting Nepal are considered. Tourism needs to be encouraged, but not without policies to improve and maintain the environment. Overuse of natural resource is dangerous and a serious matter. Tourism also creates an increased pollution through traffic emission, littering, noise and increased sewage production (UNEP, 2016). Since 1950, when Nepal opened its borders to foreign visitors, the dramatic increase in tourist trekking in the Himalayan regions has caused serious impacts on the natural and cultural environment of the Sagar- matha (Mt Everest) National Park area (Jefferies, 1982). Another severe problem related to tourists and trekking in the Himalayas is waste disposal. Again, the *Sagarmatha National Park* can serve as an example: Despite a law from 1979 that requires trekkers to bury or carryout their waste, the amount of waste left behind on the trails and campsites is tremendous. It is estimated that one group of trekkers (consisting of 15 people) creates 15kg of waste that is not biodegradable or burnable during a 10 day trek (Spaltenberger, 2002, p. 18). According to a Mountain Agenda report on the Everest region, it is estimated that there are 17 metric tons of garbage per kilometer of tourist trail – for this reason, the Everest region is sometimes labeled as "*the world's highest junkyard*" and the trail to the Everest Base Camp as "*the garbage trail*" (Spaltenberger, 2002, p. 22).

Once the infrastructures and services are improved under the BRI, certainly, Nepal offers different dimensions of tourism like mountaineering, trekking, rafting, canning, bungee, paragliding, jungle safari, boating, home stay, mountain flight, adventure tourism, religious and cultural tourism, and pilgrimage tourism in a greater amount. So the consequences of the pressure can have its socio-cultural, environmental and economic impacts. Sustainable Development Goals Status and Road Map: 2016-2030 published by National Planning Commission, Nepal, suggests



that tourism and landscape marketing – that can be an anchor of prosperity, as long as we can protect our natural resources from air pollution, visibility decline, and other sources of degradation (p. 4). Thus, Tourism is the country's silver lining that could contribute in the country's GDP and thereby enhance the wellbeing of people.

### **Technology Transfer**

Nepal should give the priority on improved technology for the qualitative productivity to compete in the global market. Nepal Human Development Report (2004) *Empowerment and Poverty Reduction* states that "as new information technology has begun transforming the topography of knowledge worldwide, it has also contributed massively to change in attitudes and behaviours" (p. 88). BRI projects also aim to build infrastructure along with technology in developing countries. Railway technology and infrastructures for high-speed trains have advanced by leaps and bounds. "China will send out its own capital, **technology**, and management experience, and will promote the development and prosperity of neighbouring countries. (Godement, 2015, p. 5). Thus, technology transfer is the reality of connectivity.

### **6.3.6 Prospect Socio-Cultural, Environmental, Economic and Institutional Prospects**

#### **▪ Socio-Cultural Prospects**

Despite growing trade ties between Nepal and China, the two countries are yet to engage with each other in a meaningful way in various fronts including socio-cultural dimension. In the past, Buddhism from Nepal travelled all the way to China, especially Tibet via Silk Road. In a similar vein, Confucian legacy had been deeply ingrained in the psyche of Chinese people. "Confucianism strongly emphasized the network of obligations, duties and relationships that bind an individual to the family,

community, state and society. Individual ethics and social order were harmonized: 'Maintain harmony through difference exists' is a famous maxim (Ravi Bhoothalingam in Rasgotras' book, 2011, p. 102). Today, BRI encourages people to people relations and exchange of cultural values. It may create both positive and negative impacts in the society. There is a possibility of enhancing understating of each other's society and culture. At the same time, interaction between two distinct cultures may bring some of the genuine concern. The erosion of traditional values and customs might happen along with the connectivity. Anyway, respect to each other's cultural value is highly anticipated.

- **Environmental Prospect**

Today, global community faces the challenge of climate change. It is considered as a trans-national threat that is ominous and increasing. "Global climate change due to increasing atmosphere concentrations of so-called 'greenhouse gases' (notably carbon dioxide and chloro-fluorocarbons or CFCs) has dominated the environmental agenda since the mid-1980s and has engendered considerable international political debate (Griffiths & O'Callaghan, 2002, p. 129).

Rana Mitter, in his book, *Modern China: A very Short Introduction* (2008) draws attention to the China's development approach. As he says, "China is also in the grip of a resource and environmental crisis (p. 4). As global warming accelerates, China is set to become the world's largest emitter of carbon dioxide into the atmosphere (p. 4). Most noticeable to anyone who visits China is the level of environmental pollution that has come along with growth (p. 113). It shows that China has been paying unprecedented price of economic growth. "China is facing sever environmental problems as an unwanted side-effect of its unchecked economic

growth, and it has affected the country's air, land and water quality while causing great concern among China's neighbours (Lanteigne, 2009, p. 45).

My colleague Binita Subedi quotes in her dissertation, *Belt and Road Initiative: Implication on Environment Sustainability of Nepal* (2018)

Nepal as such is one of those states that have weak governmental regulation (Bhatta & Khanal, 2010). In such a scenario, the Belt and Road Initiative that has been readily accepted as a means for Nepal to expedite its economic growth needs to be kept under scrutiny to analyze the effects it can have on environment of Nepal and mitigating routes. It also becomes urgent to find a balance between environmental protection and economic development to ensure sustainability for Nepal (p.13).

- **Economic Prospect**

Nepal aspires to move out of under developing status to developed one. To do so, she must intensify economic activities. According to the report of National Planning Commission (NPC) named *Sustainable Development Goals Status and Road Map: 2016-2030*, "Historically, the pace of economic change in Nepal has been sluggish. The decadal average growth rate over the past 50 years has hovered between 2 and 5 percent, with investment levels grossly insufficient to deliver the kind of economic changes seen elsewhere (p. 2). In this context, China as a second largest economy, and a neighboring country could help to bring substantial outcome through investment in railways and road ways that come under the BRI framework. The report points out that the economic reforms of early 1990s marked a meaningful turning point, but they were not sustained. There is broad realization now that the country needs to work towards a period of relative stability and to project a clear roadmap to

prosperity (p. 2). As China is also willing to share prosperity to its Neighbours, Nepal can engage in the process of economic integration. By virtue of it, she can reap the benefits from China lead BRI connectivity.

Nepal Human Development Report (NHDR), 2014 points out that the pace of economic growth needs to accelerate and be accompanied by large scale employment generation and enhanced productivity (p. 3). So far, Nepal-China economic cooperation is concerned; Ministry of Foreign Affairs traces the history formal cooperation since establishment of bilateral relations. "The first "Agreement between China and Nepal on Economic Aid" was signed in October 1956. From the mid-80s, the Chinese Government has been pledging grant assistance to the Government of Nepal under the Economic and Technical Cooperation Program in order to implement mutually acceptable development projects".

Besides those provisions, the avenue of economic development of Nepal has been opened after signing the Memorandum of Understanding (MoU) on cooperation under BRI on 12 May 2017. It aims at promoting cooperation on a range of issues such as policy exchanges, infrastructure building, trade connectivity, financial integration and people to people relation. Some of the major on-going projects under Chinese assistance have been mentioned in the website of Ministry of Foreign Affairs, Nepal as per below;

- Upper Trishuli Hydropower Project- Power station and Transmission Line Projects
- Kathmandu Ring Road Improvement Project
- Larcha (Tatopani) and Timure (Rasuwagadi) Frontier Inspection Station Project
- Pokhara International Regional Airport

- Upgradation of Syaprubensi- Rasuwagadhi Road
- Upgradation of Kodari Highway and restoration of bordering bridges at Kodari and Rasuwagadhi (web, p. n.)

Signing MoU and agreements don't make any difference until it has been implemented properly. However, there always exists the other side of the story. The Chinese 'infrastructure diplomacy' can be turned into 'debt trap diplomacy'. There is always room for doubt.

- **Trade of Knowledge and Goods**

Nepal's diverse ecological regions have many unexplored and unexploited potentials in the field of agro-based industries, herbal products, hydropower and tourism (UNDP, 2014, p.67). Tourism is just not the sightseeing activities, it is also about to exchange information, goods, way of living, and indigenous knowledge. As "tourism facilitates learning" (Reis & Varela, 2015, p. 2). China's knowledge of sustainable growth can also be beneficial to Nepal in some context. "Tourism acts as a springboard for promotion of domestic 'niche' goods in foreign markets. It operates as a low-cost 'in-house' trade fair, accessible to all domestic producers" (Reis & Varela, 2015, p.3). Tourism can act as a platform to improve export performance in existing traditional products and to turn traditional goods that are not yet exported into exportable ones. The promotional role played by international tourism boosts exports both at the intensive and the extensive margins (Reis & Varela, 2015, p.22). In this respect, BRI opens the door of knowledge about people and their cultures. Ideas travel across the Himalayas and foster the understanding of mutual co-existence as Silk Road did in the past.

- **Institutional Prospects**

Institutions play a very crucial role in shaping development process and sharing its fruits. Acemoglu and Robinson, in their book, *Why Nations Fail*, assert that institutions influence behavior and incentives in real life, they forge the success or failure of nations (2012, p. 43). And, they also further argue that while economic institutions are critical for determining whether a country is poor or prosperous, it is politics and political institutions that determine what economic institutions a country has (2012, p. 43). Thus, they vividly give emphasis on the strength of economic and political institutions for the development of a particular country.

Similarly, Francis Fukuyama, in his book, *State Building: Governance and World Order in the Twenty-First Century* states that state building is the creation of new government institutions and the strengthening of existing ones (2009, p.1). In this way, Fukuyama focuses on more over the institution's sustainability.

According to *International Development Cooperation Policy, 2019* The Government will carry out programs for institutional reform and capacity development of the entities of the Government of Nepal and its associated institutions that are directly involved in infrastructure development (article 5.8.2). Thus, the policy simply suggests strengthening the capacity of institutions.

According to the Sustainable Development Goals Status and Road Map: 2016-2030 published by National Planning Commission, Nepal, "Taking the long view, Nepal today is poor, arguably, because it has been governed badly with entrenched political and economic institutions that were extractive in nature" (p. 6). It makes clear that extractive institutions are also the sole cause of poverty. Report also argues that Nepal's relative development is somewhat of a paradox with compelling potentials of a uniquely attractive country sitting under-utilized because of politico-

institutional weakness (p. 1). Despite the fact, Nepal also heavily needs infrastructure projects for its development. Obviously, she needs to establish some of the institutions and strengthen the existing one in order to utilize Chinese assistance that supposes to come through the framework of BRI. However, while creating institutions or fostering the capabilities of existing institutions, there could be interference from the Chinese side in the name of alignment of policies. In this case, questions could pop up in the mind of policy makers. Is Nepal capable enough to take benefits through BRI projects?

## CHAPTER 7

### SUMMARY AND CONCLUSION

Chinese foreign policy has been evolving by leaps and bounds along with time. Four decades long economic reform and unprecedented economic growth across the region has been a major contributing factor for gaining confidence in terms of foreign policy. In a course of time, Chinese foreign policy has been determined by various leaders since 1949. Its foreign policy has been guided by communist ideology. Basically, Chinese communist party decides in a range of foreign policy issues. Now, its foreign policy has been largely shaped by the Belt and Road Initiative (BRI). In other words, BRI is synonym to foreign policy. BRI is Xi Jinping's most ambitious strategy in modern history.

Belt and Road Initiative (BRI) is China's signature foreign-policy project initiated under the leadership of President Xi Jinping in 2013. It is considered the 'Revival of Silk Road'. It connects countries, regions, continents through five roads and six economic corridors. While connecting, BRI adopts a five-pronged approach: Policy coordination, connectivity, unimpeded trade, financial integration, and people-to-people bonds. It has been backed by institutional arrangements such as the Asian Infrastructure Investment Bank (AIIB), set up Silk Road Fund (SRF), the BRICS Development Bank, and the SCO Development Bank.

Connectivity is part and parcel of today's globalized world. Connectivity is one of major thrust of BRI. It talks about infrastructure connectivity, transportation and communication connectivity, railway, highway, marine, shipping, aviation, pipeline connectivity, and people to people bond. And, connectivity is the prime concern of Nepal. The part of the reason is that she is landlocked and remains underdeveloped even being located between two rising countries: China and India.



Both of the countries have fought the war in 1962 briefly over the territorial dispute by overlooking policy of non-interference and respect for each other's sovereignty. Since then, their relationship has been defined by competition rather than cooperation. At this critical juncture, Nepal has to act in a balanced way. As a relatively small, landlocked and developing country, she has been suffering from the problem of connectivity for a long time. Mean a while, as the youngest republic in the world, she has been also moving towards a more inclusive society. Amid this external connectivity problem and internal transformation, she has formally joined China lead BRI in 2017 in order to meet the need to infrastructure development like highways, railways, trade, tourism, optical fiber, etc. Consequently, Nepal has signed 20 agreements to enhance connectivity during the visit to Nepal by President Xi Jinping in October, 2019. Under BRI, dozens of Connectivity projects like China-Nepal railway are in pipeline. Feasibility studies of the projects are going on. Some of the projects like internet connectivity are already in operations with the joint effort of Nepal Telecom (NT) and China Telecom Global. This provides a reliable alternative for the uninterrupted Internet connections.

Indeed, connectivity projects with China in Nepal are still in their embryonic phases. Once it is implemented in a full-fledged range, it will heavily reduce one-way dependency with India. But, it does not mean that Nepal can be self-reliant through those projects unless she diversifies trade, tourism and takes benefit out of it. There exists doubt of the debt trap in developing countries along the BRI. Some of the countries like Sri Lanka and Laos are unable pay back loans. Again, there could have been too much dependency on China. Nepal has already trade deficit with China and India. In this reference, if connectivity does not reduce trade deficit with China, it will hamper Nepal's economic development. At the end of the day, Nepal can just be a resources provider and perform as a periphery state of China. If so, there will be a

strained relationship between Nepal and China due to policy influence. Sovereignty can be compromised because China has adopted a more assertive foreign policy now days. No doubt, it will likely to continue on this path in the days ahead owing to its unprecedented economic growth. For instance, Chinese investment in Sri Lanka has been labeled as 'debt trap'. It gives doubt of benefit over the narrative of win-win of BRI projects.

Himalayas are no more barrier but bridges in today's world given to the modern technological advancement. By recognizing the possibility of connectivity, China proposed Trans-Himalayan Economic Corridor that includes trilateral connectivity among China, Nepal and India. The corridor comes under the BRI framework. And, India does not accept it on grounds of sovereignty threat. The chances to be a part of BRLACI have become slimmer after Sino-India territorial dispute in Line of Actual Control (LAC) in Ladakh in June, 2020. Again, there is a solid bilateral relation between Nepal and India, not only based on geo-political proximity but also based on age old culture, religion and traditions.

Despite some constrains and conditions, Nepal disparately needs infrastructures get improved or building for its development. As a neighbor, China could facilitate the development process of Nepal through BRI projects. The promises of hope can be sensed in the speech of Chinese President Xi Jinping delivered during the time of State level visit in Nepal in October, 2019. Of course, by increasing connectivity project, Nepal can minimize an Indian dominance over its trade routes. Various aspects of connectivity; ranging from railway, road way, cross-border transmission line to high speed internet connection needs to be evaluated and implemented in near future. Besides that, it also includes trade, tourism, and technology transfer, socio-cultural, economic and institutional prospects.

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**APPENDICE-1**

Ministry of Foreign Affairs, Nepal has been listed the following instruments signed and exchanged between Nepal and China;

1. Agreement between the Governments of Nepal and the People's Republic of China on the Boundary Management System
2. MoU between the Governments of Nepal and the People's Republic of China on the Exchanges and Cooperation on Governance Capacity Building
3. Treaty between Nepal and the People's Republic of China on Mutual Legal Assistance in Criminal Matters
4. MoU on Mount Sagarmatha/Zhumulangma Protection Cooperation between Nepal and China
5. MoU on Promoting Key Projects of Investment and Cooperation on Productive Capacity between the National Planning Commission of Nepal and the National Development and Reform Commission of the People's Republic of China.
6. Exchange of Note for Setting up a Consulate General of Nepal in Chengdu
7. MoU between the Ministry of Physical Infrastructure and Transport of Nepal and the Ministry of Transport of the People's Republic of China on Feasibility Study of China-Nepal Cross-Border Railway Project.
8. Agreement between Kathmandu Metropolitan City of Nepal and Nanjing City of the People's Republic of China on the Establishment of Sister-City Relationship.
9. Agreement between Butwal Sub-Metropolitan City of Nepal and Xi'an City of the People's Republic of China on the Establishment of Sister-City Relationship.

10. MoU on Cooperation on Traditional Medicine between the Ministry of Health and Population of the Government of Nepal and the National Administration of Traditional Chinese Medicine of the People's Republic of China.
11. MoU between the Ministry of Home Affairs of Nepal and the Ministry of Emergency Management of the People's Republic of China Regarding Cooperation in Disaster Risk Reduction and Emergency Response.
12. MoU on Cooperation between the Supreme People's Procurator of the People's Republic of China and Office of the Attorney General of Nepal
13. Agreement between Tribhuvan University of Nepal and Confucius Institute Headquarters of China on the Establishment of Confucius Institute at Tribhuvan University.
14. Protocol of Phytosanitary Requirements for the Export of Citrus Fruits from Nepal to China between Department of Agriculture of the Government of Nepal and General Administration of Customs of the People's Republic of China.
15. MoU between the Ministry of Industry, Commerce and Supplies of the Government of Nepal and the Ministry of Commerce of the People's Republic of China on the Establishment of Joint Working Group on Trade
16. Delivery and Acceptance Certificate for the China-Aid Earthquake Monitoring Network Project in Nepal
17. MoU on Establishment of Investment Cooperation Working Group between the Ministry of Finance of Nepal and the Ministry of Commerce of the People's Republic of China
18. MoU between the Ministry of Finance of Nepal and China International Development Cooperation Agency on Tunnels Construction Cooperation

19. Exchange of Letter for Border Security Equipment and Office Equipment
20. Minutes of Meeting for Feasibility Investigation of China-Aid Municipal  
Water Supply Improvement Project in Kathmandu Valley of Nepal  
(mofa.gov.np)